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Message Text

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20
ACTION OPIC-06

INFO OCT-01 NEA-10 ISO-00 AID-05 EB-07 AGR-05 L-03 /037 W
---------- 034427
R 311024Z JUL 75
FM AMEMBASSY ISLAMABAD
TO SECSTATE WASHDC 1327
INFO AMCONSUL KARACHI
AMCONSUL LAHORE

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E.O. 11652: N/A
TAGS: EFIN, PK
SUBJECT: OPIC COOLEY LOANS: PREMIER TOBACCO AND
RAFHAN MAIZE

REFERENCE: ISLAMABAD 6886

1. VISITING OPIC INVESTMENT OFFICER BOSTWICK AND ECON/COM COUNSELOR HAD VERY FRANK AND USEFUL ONE AND ONE-HALF HOUR CONVERSATION WITH SIRAJ YUSUF KHAN, EXTERNAL FINANCE JOINT SECRETARY, ON THE TWO COOLEY LOAN TURNDOWNS AND FUTURE PROSPECTS FOR A LOCAL CURRENCY LOAN PROGRAM IN PAKISTAN.

2. KHAN INITIALLY ALLEGED THAT REASON FOR TURNDOWN WAS THAT THERE WERE NO PL-480 RUPEES AVAILABLE FOR THESE LOANS. (HE HAD PREVIOUSLY CITED SAME REASON FOR TURNDOWN IN DISCUSSION WITH GOP MINISTRY OF INDUSTRIES, WHICH HAD PREVIOUSLY APPROVED PROJECTS.) BOSTWICK POINTED OUT THAT OPIC'S LEGISLATION AUTHORIZED IT TO USE EXCESS RUPEES FRTN SEVERAL ACCOUNTS IN ANY CASE. KHAN THEN ADMITTED THAT THE REAL REASON FOR THE TURNDOWN WAS NOT THOSE CITED IN THE STATE BANK'S LETTER BUT THE GOP'S DESIRE TO REDUCE USG HOLDINGS OF EXCESS RUPEES. HE ALLEGED THAT GOP HAS BEEN TRYING FOR SIX YEARS TO REDUCE THESE HOLDINGS AND COULD NOT AGREE TO PROPOSALS WHICH WOULD MAINTAIN OR ADD TO THEM.

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3. WHILE KHAN AT FIRST REITERATED THE POINT HE HAD MADE EARLIER

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TO ECON/COM COUNSELOR (REFTEL) THAT GOP WOULD
LIKELY NOT WELCOME FURTHER COOLEY LOAN APPLICATIONS, HE
LATER QUALIFIED THIS BY SAYING THAT THE GOP MIGHT CHANGE
ITS POSITION IF A DEVICE COULD BE FOUND WHEREBY THE RE-
PAYMENTS OF PRINCIPAL PLUS INTEREST WOULD NOT BE RECYCLED
INTO USG ACCOUNTS AND THUS ADD TO US RUPEE HOLDINGS.
WAYS OF POSSIBLILY ACHIEVING THIS WERE DISCUSSED AND
BOSTWICK PLANS TO EXPLORE THIS SUBJECT IN GREATER DETAIL
WHEN HE RETURNS TO WASHINGTON.
LUPPI
RH

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